

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

<b>MidAmerican Energy Company</b>	:
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<b>Response to Illinois Commerce</b>	:
<b>Commission Staff's Request for</b>	:
<b>Stakeholder Feedback on Low Income</b>	:
<b>Discount Rates for Electric and Natural</b>	:
<b>Gas Residential Customers</b>	:
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**INITIAL FEEDBACK OF MIDAMERICAN ENERGY COMPANY**

MidAmerican Energy Company (“MidAmerican” or “Company”) appreciates the Illinois Commerce Commission (“Commission”) granting the opportunity to provide comments on the recent amendments to Section 9-241 of the Public Utilities Act (“Act”). In compliance with the Climate and Equitable Jobs Act amendments, Public Act 102-0662 (“CEJA”), Commission Staff seeks the requested information to produce a comprehensive assessment for the Illinois General Assembly concerning the appropriateness and potential structure of low-income discount rates for electric and natural gas residential customers. MidAmerican commends Staff’s collaborative approach to collecting this information with the recognition that gathering perspectives from a diverse group of stakeholders — including those whose customers would be directly impacted by the findings of such a report — leads to informed, balanced outcomes.

MidAmerican does not believe there is a need for a new program to implement low-income discount rates for residential customers, given the existing programs and the fact that reducing rates to one group of customers necessarily distributes those costs to other customers. Generally, the Company’s position on the matter arises from (i) a lack of need for this type of rate/program

and (ii) concerns related to the long-term efficacy of low-income discount rates with regard to addressing the root causes of the energy affordability issue. In addition to further outlining these concerns, the following remarks offer preliminary responses to Staff's request.

**I. THE CREATION OF A LOW-INCOME DISCOUNT RATE DOES NOT CORRESPOND TO AN ACTUAL NEED WITHIN MIDAMERICAN'S SERVICE TERRITORY**

MidAmerican is concerned about maintaining affordable rates for all customers, including the low-income customers targeted by this study bill. That said, MidAmerican is uncertain of the need for a new program rate within its service territory. Apart from the information that is self-reported by residential customers to receive low-income deposit and late fee exemptions afforded by Sections 8-201.7 and 208.1 of the Act, MidAmerican does not have information concerning the income level of its customers. Nonetheless, the Company does document which customers are currently receiving funds from the Low-Income Home Energy Assistance Program ("LIHEAP"). Using LIHEAP status as a proxy for low-income, MidAmerican identified approximately 5,000 active customer accounts (including electric, natural gas, and combination accounts) as low-income as of July 2022. This figure represents less than 7% of the Company's residential customers in Illinois.

Relative to this population of active accounts, only six LIHEAP accounts were disconnected for non-payment during the month of July, a reduction from 15 during the prior month. As of the end of July, approximately 1,000 of these active accounts had arrearage balances that were over thirty days outstanding, with an average balance of approximately \$305. Among the identified customers, approximately 3,200 accounts had either no arrearage balance or an excess credit balance associated with the account, with an average excess credit balance of approximately \$353. The remaining population of approximately 800 accounts had arrearage balances that were less

than thirty days outstanding. When analyzing the low-income customer population as a whole, the average over-thirty-day arrearage balance was approximately \$62, whereas the average excess credit balance was nearly \$231. Although the two types of balances are mutually exclusive, this example suggests that, as of the end of July 2022, the “representative” low-income MidAmerican customer in Illinois carries an excess credit balance that is nearly four times their over-thirty-day arrearage balance.

Although MidAmerican is not subject to required participation in the Percent of Income Payment Plan (“PIPP”) as set forth in Section 18 of the Energy Assistance Act<sup>1</sup>, MidAmerican’s low-income customers currently have access to an array of energy assistance programs. Such assistance includes LIHEAP, MidAmerican’s own I CARE program, and several assistance programs established in response to the COVID-19 pandemic, including the Utility Disconnection Avoidance Program and the Bill Payment Assistance Program (“BPAP”) resulting from the Commission’s June 18, 2022, order approving the settlement in Docket No. 20-0309. These existing assistance programs adequately address the current need. In fact, the BPAP balance remains at approximately 75% of the total amount reserved for COVID-related customer assistance over two years ago. Similarly, the abundance of energy assistance funds has resulted in the accrual of customer donations to I CARE, of which MidAmerican matches 25%, at a rate that outstrips the disposition of these dollars over the prior years.

## **II. A LOW-INCOME DISCOUNT RATE DOES NOT PROVIDE CUSTOMERS WITH THE TOOLS TO ADDRESS THE ENERGY AFFORDABILITY ISSUE IN THE LONG-TERM**

A customer’s energy burden can be simply defined as the percentage of the customer/household’s income used to cover the cost of energy consumed. The cost of energy

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<sup>1</sup> 305 ILCS 20/18.

consumed is the product of the energy price and the volume consumed. A core tenet of ratemaking is to set the price, in the form of a rate or charge, such that it reflects the marginal cost of providing the energy to the customer. Stated differently, rates should be set such that they communicate adequate price signals to the customer to incent the efficient consumption of the service.

Although it depends on design and implementation, discount rates may undermine the efficacy of these price signals. When the salience of price signals is muted, so too is the incentive for efficient consumption. In the long-term, this inefficient usage can necessitate otherwise avoidable investment and expense, resulting in upward cost pressures on rates. It is easy to imagine how such a circumstance could result in a feedback loop that perpetuates — or even aggravates — the issue.

Importantly, it is worth noting home energy consumption is more than a function of price. For example, one of the biggest drivers of home energy consumption is space conditioning, specifically the efficiency of heating and/or cooling appliances and the overall insulative properties of the building. Consumption reductions from energy efficiency improvements permanently reduce a customer's energy burden.<sup>2</sup> This is an example of how low-income customers' energy burdens can be reduced in a meaningful and lasting manner, which the Company contends is a better approach to providing assistance to low-income customers, as well as a more prudent use of its customers' dollars.

### **III. RESPONSE TO COMMISSION STAFF'S REQUEST FOR STAKEHOLDER INPUT**

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<sup>2</sup> MidAmerican recognizes this example is not feasible in all situations, nor is the Company advocating for such a program in lieu of a low-income discount rate. Pursuant to the authorization in Section 8-408 of the Act, MidAmerican elects to make available energy efficiency programs for its Illinois customers. These programs include a residential low-income program that is composed of a Federally funded Weatherization Assistance Program and a multifamily weatherization partnership.

Given the administrative burden of implementing and maintaining a low-income discount rate program relative to the small number customers in MidAmerican's Illinois service territory, the Company's preference would be that a state agency, for example the Illinois Department of Commerce and Economic Opportunity ("DCEO"), handle all matters related to customers' eligibility for such program.

The responses to the considerations specified in Section 9-241 of the Act are as follows:

1. Customer eligibility requirements, including income-based eligibility and eligibility based on participation in or eligibility for certain public assistance programs;

For ease of administration, eligibility requirements should mirror those of existing low-income programs (*e.g.*, LIHEAP or PIPP) and/or consumer protections (*e.g.*, Sections 8-201.7 and 208.1 of the Act).

2. Appropriate rate structures, including consideration of tiered discounts for different income levels and usage caps;

For the preservation of adequate price signals associated with incremental volumetric usage, the Company's preference is a credit applicable to the fixed charge components of the bill (*e.g.*, basic service charge and meter charge). A tiered discount approach would help mitigate the potential impact on other customers, specifically for those residential customers whose incomes may put them slightly above the eligibility threshold. Additionally, a tiered approach could preclude, or at least alleviate, any perceived feelings of inequity customers that are marginally ineligible may possess. However, the Company is concerned with the potential administrative burden associated with the implementation of such a framework. If the discount were applied on a volumetric basis, MidAmerican would support a usage cap.

3. Appropriate recovery mechanisms, including the consideration of volumetric charges and customer charges;

MidAmerican prefers a fixed surcharge that is set annually and applicable to all non-eligible customers. A fixed surcharge approach reduces the likelihood of rate volatility, as it is easier to forecast the billing determinants upon which the revenues are collected.

4. Appropriate verification mechanisms;

As previously stated, verification should be conducted by a state agency. Accordingly, MidAmerican defers to the current practices of DCEO and the local action agencies regarding the equivalent verifications for LIHEAP and/or PIPP.

5. Measures to ensure customer confidentiality and data safeguards;

Please see the previous responses identifying utilization of existing programs.

6. Outreach and consumer education procedures;

The Company's preference would be to emulate the approach used for a comparable existing program, such as LIHEAP.

7. The impact that a low-income discount rate would have on the affordability of delivery service to low-income customers and customers overall

The burden to other customers will be relative to the size of the low-income discount rate program; greater relief to certain low-income customers will necessarily shift costs to other customers.

#### **IV. CONCLUSION**

MidAmerican reiterates its appreciation for Staff's outreach for comment on this matter and looks forward to further stakeholder collaboration.